

1999 Credit for Contributions to Charities That Provide Assistance to the Working Poor

Arizona Form 321

Phone Numbers

If you have questions, please call one of the following help numbers:

Phoenix	(602) 255-3381
Nationwide, toll-free	(800) 352-4090
Form orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Recorded Tax Information	
Phoenix	(602) 542-1991
Other Arizona areas, toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
Other Arizona areas, toll-free	(800) 397-0256

You may also visit our web site at:

www.revenue.state.az.us

General Instructions

For taxable years beginning on or after January 1, 1998, Arizona law provides a credit for cash contributions made to certain charities that provide help to the working poor. The maximum amount of this credit is \$200.

This credit is available only to individuals. Corporations may not claim this credit. A partnership may not pass the credit through to its partners. An S corporation may not pass the credit through to its shareholders.

You may qualify for this credit if you make cash contributions to a qualifying charity. You may also qualify for this credit if you make cash contributions to a qualified charity through an umbrella type of charitable organization. In this case, you must designate your donation to a member charitable organization or member group fund that would qualify on a stand-alone basis.

To be eligible for this credit, you must have itemized deductions and deducted charitable contributions on a prior year's Arizona return (1996 or later) at least once. This is necessary to establish a baseline year and amount. The credit is then figured on the amounts over and above the baseline amount.

For more information on this credit, see the Arizona Department of Revenue brochure, Pub 708, *Welfare Reform Tax Credits*. To get a copy of this brochure, call one of the help numbers listed on this page of these instructions.

What is a Qualifying Charity?

A qualifying charity is a charity that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). A qualifying charity is also a charity that is a designated community action agency that receives Community Services Block Grant Program money under the United States Code, Title 42, Section 9901. The charity must spend at least 50 percent of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits or to low income Arizona residents and their households.

For the purpose of this credit, qualifying services are

services that meet the recipient's immediate basic needs. The services must be provided and used in Arizona. Services that meet these needs include cash assistance, medical care, child care, food, clothing, shelter, job training and job placement services. Tuition reimbursement is not a service that meets immediate basic needs.

How Can I Tell if a Charity Qualifies?

To see if a charity qualifies, you should ask to see a copy of the certification letter the charity sent to the Department of Revenue. You should also ask the charity the following questions.

- Is the charity exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code?
- If the charity is not exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, is the charity a charity that is a designated community action agency that receives Community Services Block Grant Program money under the United States Code, Title 42, Section 9901?
- Does the charity spend at least fifty percent of its budget on services to Arizona residents who receive Temporary Assistance for Needy Families benefits or to low income Arizona residents and their households?

The Department of Revenue also keeps a list of agencies that sent certification letters to the department. You may also call one of the help numbers listed on this page to see if a charity has notified the department that it qualifies.

Line-by-Line Instructions

Lines 1a, 1b, and 1c -

Enter the name of the qualifying charity to which you made contributions. Enter the amount contributed to the charity.

If you made contributions to 2 qualifying charities, also complete line 1b.

If you made contributions to 3 or more qualifying charities, complete an additional schedule. The schedule should show the same information required on line 1a for each of the additional charities to which you made contributions.

Add the amount of contributions made to all qualifying charities listed on lines 1a, 1b and any additional schedule. Enter the total on line 1c.

Line 2 – Potential Credit

Enter the lesser of line 1c or \$200.

Line 3 -

Enter the total contributions from your federal Schedule A that you are deducting as an itemized deduction for 1999.

Line 4 -

Enter your baseline year.

If you itemized deductions and deducted charitable contributions in 1996, 1996 is your baseline year.

If you did not itemize deductions and deduct charitable contributions in 1996, then your baseline year is the first taxable year **after** 1996 that you itemize deductions and deduct charitable contributions. Your baseline year cannot be a year prior to 1996.

NOTE: *You must establish your baseline year in a year prior to the year in which you claim the credit. For example, if 1999 is the first year that you itemize and deduct charitable contributions on your Arizona return, you will not be able to take this credit on your 1999 return. You can take this credit in a future year if your qualifying donations in that future year exceed your charitable contributions deducted on your 1999 return.*

You must establish a new baseline year if your filing status changes due to any of the following:

- divorce
- marriage
- remarriage
- death of a spouse
- change in residency

A federal or state audit may also change your baseline year. Your baseline year could change if your deductions are changed from itemized to standard, or from standard to itemized.

Line 5 -

Enter the total amount of charitable contributions you deducted as an itemized deduction on your Arizona return filed for the baseline year.

Your baseline amount is the total dollar amount of charitable contributions deducted on Schedule A. This amount includes the total contributions deducted pursuant to Section 170 of the Internal Revenue Code including cash amounts, property, or mileage amounts. For example, if a taxpayer deducted a total of \$500 in charitable contributions in 1996, \$500 is that taxpayer's baseline amount.

A federal or state audit may also change the amount of your total charitable contributions deducted as an itemized deduction on your Arizona return filed for the baseline year. If these amounts change, you must amend your credit to reflect the new baseline amount.

Line 6 -

Subtract the amount on line 5 from the amount on line 3. If line 5 is more than line 3, you do not qualify for the credit for 1999.

Line 7 – Current Year's Credit

Enter the lesser of line 2 or line 6. This is your current year's credit.

Lines 8 through 13– Carryover from Prior Taxable Years

Use lines 8 through 13 to figure your total available credit carryover. Complete lines 8 through 13 if you claimed the credit on a prior year return and the credit was more than your tax.

Enter the taxable year(s) from which you are carrying over the credit in column (a) on lines 8 through 12. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which you have already used. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d). Add the amounts entered on lines 8 through 12 in column (d). Enter the total on line 13, column (d).

Lines 14 through 16– Total Available Credit for 1999

Use lines 14 through 16 to figure your total available credit for 1999. Complete lines 14 through 16 as instructed on the form.

Also enter the total available credit from line 16 on Arizona Form 301, Part I, line 15.

Note: *If you are married, and you and your spouse file a separate return, you may each take only one-half of the total credit that would otherwise be allowed on a joint return.*